

**MINUTES
BOARD OF TRUSTEES OF THE
INDIANA STATE TEACHERS' RETIREMENT FUND
150 West Market Street, Suite 300
Indianapolis, IN 46204**

November 4, 2009

EXECUTIVE SESSION

An Executive Session was held at 10:00 a.m. pursuant to IC 5-14-1.5-6.1(b)(2)(B), IC 5-14-1.5-6.1(b)(2)(C), and IC 5-14-1.5-6.1(b)(2)(D). As required by IC 5-14-1.5-6.1(d), the board hereby certifies that only subject matter related to IC 5-14-1.5-6.1(b)(2)(B), IC 5-14-1.5-6.1(b)(2)(C), and IC 5-14-1.5-6.1(b)(2)(D) was discussed.

REGULAR SESSION

Board Members Present

Ryan Kitchell, President
Don Bennett, Vice President
Cari Whicker, Secretary
Greg Hahn, Trustee
Bret Swanson, Trustee

Board Members Absent

Steve Overmyer, Trustee

Others Present

Ken Brunke, Callan Investments
Denise Reiter, IRTA
Andy Thomas, IRTA
Adam VanOsdol, Indiana Insight Companies
Gail Zeheralis, ISTA

TRF Staff Present

Steve Russo, Executive Director
Erin Hankins, Executive Assistant
Tom Davidson, General Counsel
Andrea Unzicker, Chief Compliance Officer
Jaclyn Brinks, Legal Administrator
Tim Walsh, Chief Investment Officer
Stephen Wolff, Senior Investment Analyst
Bryan Martin, Director of Investments
Julia Pogue, Chief Financial Officer
Molly Deuberry, Public Relations and Communications Program Manager
J.R. Burch, Chief Technology Officer

Meeting called to order at 11:54 a.m. by President Kitchell.

I. **Approval of Minutes**

MOTION duly made and carried to approve the minutes from the August 26, 2009 board meeting.

Proposed by: Voice vote

Seconded by: Voice vote

Votes: 5 in favor, 0 opposed

II. **Old Business**

Guaranteed Fund

Tim Walsh presented the Guaranteed Fund update to the board. Mr. Walsh reviewed issues of volatility and risk management. Mr. Walsh stated that the goal is to eliminate exposure to equities and to reduce the duration of fixed-income assets that back up the Guaranteed Fund. Mr. Walsh also stated that staff will continue to investigate options and will present further findings at a future board meeting.

Governance

Steve Russo presented the governance update to the board. Mr. Russo evaluated the progress of governance goals and discussed the draft governance manual.

Risk Management

Steve Russo presented the risk management update to the board. Mr. Russo recommended the adoption of a risk management policy, provided the board with a draft policy for review, and recommended a vote at the next board meeting on its adoption.

III. **New Business**

Securities Lending Update

Tim Walsh presented the securities lending update. Mr. Walsh recommended the continued pursuit of securities lending with modified, conservative lending guidelines. Mr. Walsh then introduced a resolution to revise the Investment Policy Statement.

MOTION duly made and carried to authorize Mr. Walsh to proceed with Northern Trust's revamped securities lending program, notwithstanding the current Investment Policy Statement, and to revise the board resolution amending the current Investment Policy Statement for approval at a future board meeting.

Proposed by: *Bret Swanson*
Seconded by: *Greg Hahn*
Votes: *5 in favor, 0 opposed*

Investments Update

Tim Walsh presented the investment performance update. Mr. Walsh discussed the Defined Benefit, Annuity Savings Account performance, and reviewed the current manager watch list. Mr. Walsh provided options on how active the board could be in the search for a general investments consultant. Mr. Walsh also presented Annuity Savings Account investment options that are under consideration for members to choose from when the new ASA Recordkeeping system is implemented.

A. Real Estate Investment

Steve Russo presented a resolution authorizing the negotiation and execution of a final purchase agreement for the building at One North Capitol on behalf of the board.

MOTION duly made and carried to approve Resolution No. 2009-11-01.

Proposed by: *Greg Hahn*
Seconded by: *Ryan Kitchell*
Votes: *4 in favor, 0 opposed, 1 abstention*

B. TIPS

Tim Walsh reviewed the TIPS index and recommended that the Board approve a \$100 million investment in BlackRock active TIPS. The board requested additional information before taking action on the recommendation and agreed to revisit the recommendation at a future board meeting.

C. Transition Manager

Tim Walsh updated the board on the search for a transition manager. Mr. Walsh recommended that the board approve the use of a pool of transition managers consisting of BGI, Credit Suisse, Goldman Sachs, JP Morgan, Morgan Stanley, and State Street, as needed.

MOTION duly made and carried to approve the use of a pool of transition managers consisting of BGI, Credit Suisse, Goldman Sachs, JP Morgan, Morgan Stanley, and State Street, as needed.

Proposed by: *Greg Hahn*
Seconded by: *Bret Swanson*
Votes: *5 in favor, 0 opposed*

D. Hedge Fund Consultant

Tim Walsh reviewed the search for a hedge fund consultant. Mr. Walsh made the final recommendation that the board select Aksia as the hedge fund consultant.

MOTION duly made and carried to select Aksia as the hedge fund consultant. Subject to final due diligence and legal review.

Proposed by: *Don Bennett*

Seconded by: *Greg Hahn*

Votes: *5 in favor, 0 opposed*

Financial Update

Julia Pogue presented the financial update to the board. Ms. Pogue reviewed the financial highlights in addition to the budget, the status of the financial system implementation, the transfer of pension payroll to ACS, the Employer Reporting Management system (ERM), and ACS Recordkeeper Phase II.

IT Update

J.R. Burch and Dave Huffman presented the IT update to the board. Mr. Burch reviewed the retirement system modernization, data clean-up, and document management. Mr. Huffman assessed TRF's system replacement, a joint project with PERF. Mr. Huffman also discussed the implementation and go-live of TRF's new financial system, ACS Recordkeeper Phase II, and the Wage and Contributions System.

Executive Director's Report

Steve Russo presented the executive director's report to the board. Mr. Russo discussed two recent awards received by TRF, developments in the Pension Management Oversight Commission (PMOC), Indiana Code modernization for the employer payment scheme, and metric highlights.

IV. Draft Agenda for Next Board Meeting

Steve Russo presented a draft agenda for the December 2009 board meeting. Mr. Russo confirmed that there will be a discussion of the Indiana Administrative Code and a board governance manual.

V. Adjournment

Meeting adjourned at 1:56 p.m.